

NOTICE APPEARED
ON PAGE A-1

WASHINGTON POST
27 November 1986

Justice Dept. Launches Criminal Probe Of Iran Arms Fund Transfer to Contras

CIA Tied to Unauthorized Shipment

By Walter Pincus
and John M. Goshko
Washington Post Staff Writers

In November 1985, the Central Intelligence Agency helped arrange what turned out to be a clandestine shipment of arms from Israel to Iran, two months before President Reagan signed a secret authorization for such operations, well-placed sources said yesterday.

A month after the shipment, John N. McMahon, who was then the CIA deputy director, insisted that the agency obtain formal presidential permission if it was to become further involved in the shipping of arms to Iran, according to administration and congressional sources.

Sen. David F. Durenberger (R-Minn.), chairman of the Senate Select Committee on Intelligence, told Duluth, Minn., radio station WEBC yesterday that the CIA arranged a plane in November 1985 for what it thought were oil-drilling parts for Iran that turned out to include weapons.

Durenberger said CIA officials had told him that "they didn't know they were being asked . . . for their help in shipping arms" and that they were "under the understanding at the time" that the plane was carrying oil-drilling parts.

That request for the CIA's help came from Lt. Col. Oliver L. North, the National Security Council staff member who was fired Tuesday by President Reagan, sources said. CIA Director William J. Casey, who was on a trip to China at the time, gave permission for the agency action, sources said.

ABC television last night identified the CIA-chartered company that carried Hawk antiaircraft and TOW antitank missiles from Israel to Iran as Southern Air Transport Inc., which has previously been tied to the Iranian operation and to resupply flights to the contra rebels fighting the government of Nicaragua.

The November 1985 involvement by the CIA appears likely to intensify congressional demands for an administration explanation about whether federal laws were violated.

Attorney General Edwin Meese III said in his Tuesday news conference that there was a November 1985 shipment of arms to Iran that was later returned but that it had been arranged by Israelis without any notification or explicit authorization from the United States. Meese said the United States did not learn of that shipment until last February. The shipment of Hawk missiles reportedly was returned by Iran because the munitions were obsolete.

In response to National Security Council pressure in late 1985 to send arms to Iran, State Department officials arranged for a White House meeting last Dec. 6 so that Secretary of State George P. Shultz and Defense Secretary Caspar W. Weinberger could tell President Reagan of their objections to such a program.

Ten days after a second White House meeting last Jan. 7, Reagan, signed a secret "finding," which authorized CIA participation in such arms shipments. The finding was locked in the safe of Vice Adm. John M. Poindexter, the national security adviser who resigned Tuesday.

Last Friday, the House Permanent Select Committee on Intelligence told Casey to produce a full accounting of funds from the sale of U.S. arms to Iran. The demand hastened the weekend inquiry by Meese and the electrifying disclosure on Tuesday that money was diverted to support the contras, according to congressional sources.

Casey told the committee that the CIA had set up "a sanitized Swiss bank account to receive money from the Iranian sale," according to one member. But the CIA director said he did not know who made the decision to set it up, who determined what money went into and out of the account, or whether commissions were paid to middlemen, according to another member.

"Casey seemed to be deliberately ambiguous" and was told the committee insisted on a detailed accounting, one senior member said. He added that he thought the CIA director was "pretty nervous" during the questioning about money distributed from the arms sale "and went back to Meese to say they had a problem." Meese said this week that he had launched his inquiry after talking to Reagan on noon Friday.

The Justice Department had already been tipped off last Thursday that there were intercepted radio messages that raised questions about the discrepancy between the large sums paid by Iran for the U.S. arms and the much lower value placed on them by the Defense Department, according to informed sources.

In his Tuesday news conference, Meese said that his inquiry was touched off by "a thorough review of a number of intercepts, and other materials." U.S. officials usually do not talk publicly about intercepts resulting from electronic intelligence operations, which are conducted by the National Security Agency (NSA) from bases with listening equipment around the world and from satellites in space.

Sources said yesterday that the NSA is now reviewing much of the radio traffic from Iran and other relevant areas which it automatically had recorded but does not usually translate and review without special cause.

In the wake of Meese's revelations Tuesday at a White House briefing for congressional leaders and Casey's appearance last Friday in closed sessions before the House panel, the roles played by the director and his agency remain "blurred," according to one legislator who sat in on these sessions.

Meese told his news conference that the CIA was "the agent for the United States government" in handling the money from the arms sales but that there was "no indication whatsoever, to the best of our knowledge," that anyone in the CIA knew about the Swiss bank accounts through which \$10 million to \$30 million from the arms sales was funneled to the Nicaraguan rebels.

Meese and Casey both said that the U.S. value put on the four shipments of American arms made to Iran via Israel this year was \$12 million. Neither official, however, could say how much the Iranians paid for the weapons.

Meese told the congressional leaders that hypothetically one shipment, valued at \$3 million to \$4 million by the Pentagon, was sold to the Iranians for \$19 million. The United States was repaid its costs, and the remaining funds were divided with \$12 million going into the contra account and \$3 million going to middlemen and arms brokers.

Casey told the House committee, as he did the Senate intelligence committee later the same day, that the CIA supplied one of its retired officers, George Cave, to the White House-run project because he had served as station chief in Iran and was fluent in Farsi. Along with setting up the Swiss bank account, agency personnel also handled the four 1986 arms transfers from the Pentagon to the individuals who took over when the weapons were shipped to Israel, sources said.

Overall, Casey told the legislators that the agency made "a relatively minimal contribution" with a total cost to CIA of \$40,000 to \$50,000, sources said.

Throughout his testimony, legislators said, Casey repeatedly said he didn't know much about the details. He did say that some commissions may have been paid to arms brokers and that \$350,000 may have been left over in the CIA account.

Overall, the total value of the U.S. arms shipped to Iran was \$12 million. Three of the four 1986 shipments—in February, August and late October—carried TOW antitank missiles; 500 on two of the flights and 1,000 aboard the third.

The May 28 flight to Tehran, which carried former national security adviser Robert C. McFarlane, North, Cave and reportedly an Israeli general, included a pallet of spare parts for Hawk anti-aircraft missiles, the CIA told the House panel, according to sources.